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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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C O N F I D E N T I A L USNATO 0634

E.O. 11652: GDS, 12/31/80

TAGS: ENRG, NATO, PFOR

SUBJ: ENERGY: NAC ITEM II 2/6/74: WORLD OIL CRISIS AND THE ALLIANCE:
REPORT BY THE ECONOMIC COMMITTEE - C-M(74)9

STATE ALSO FOR T/IEP

REF: A) STATE 21279; B) STATE 24210

SUMMARY: NORTH ATLANTIC COUNCIL ON FEBRUARY 6 CONSIDERED
ECONOMIC COMMITTEE REPORT ON WORLD OIL CRISIS AND THE ALLIANCE,
C-M(74)9 US BEGAN DISCUSSION BY USING PARAGRAPH 19 (ON NEED FOR
ALLIED SOLIDARITY) AS POINT OF DEPARTURE TO SUPPORT
PRESIDENT'S ENERGY INITIATIVE. SEVERAL NAC MEMBERS
STRESSED NEED FOR ALLIANCE SOLIDARITY, AS WELL AS
UTILITY OF ECONAD REPORT IN REMINDING NATO COUNTRIES OF VITAL
ALLIANCE CONCERN AS THEY WORK ON OIL CRISIS IN OTHER INTERNATIONAL
FORA. NAC NOTED REPORT, AGREED THAT FURTHER NAC DISCUSSIONS OF ENERGY
CRISIS MAY BE NEEDED, SUBJECT TO PRIOR EXAMINATION BY GOVERNMENTS
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OF SCOPE AND NEED FOR EACH DISCUSSION, AND ASKED ECONOMIC
COMMITTEE TO CONSIDER USSR-EASTERN EUROPEAN OIL SITUATION.
END SUMMARY.

1. RUMSFELD (US) LED OFF DISCUSSION BY CALLING ATTENTION TO PARAGRAPH 19 OF REPORT, WHICH STATES "IN VIEW OF THE THREAT WHICH THE PRESENT ENERGY CRISIS PRESENTS IN THE POLITICAL AND ECONOMIC SPHERES, THE WIDEST POSSIBLE MEASURE OF SOLIDARITY BETWEEN ALLIED COUNTRIES IS NECESSARY." RUMSFELD USED THIS AS POINT OF DEPARTURE IN SUPPORTING PRESIDENT'S ENERGY INITIATIVES, DRAWING ON PREVIOUS GUIDANCE, PER REF A.

2. KRAPF (GERMANY) THOUGHT THE REPORT SHOWED WE ARE IN COMPLETELY UNPREDICTABLE SITUATION, DUE TO INFLUENCE OF POLITICAL CONSIDERATIONS ON RAW MATERIAL SUPPLY. WESTERN COUNTRIES FACE SERIOUS PROBLEMS FROM INFLATION, DETERIORATING BALANCE OF PAYMENTS, AND LARGE ARAB PAYMENTS SURPLUSES. WE MUST AVOID A RELAPSE INTO ECONOMIC SELF-SUFFICIENCY AND NATIONALISM. THAT IS WHY GERMANY WELCOMES THE PRESIDENT'S ENERGY INITIATIVE. HE ADDED THAT GERMANY HOPES THE WASHINGTON CONFERENCE WILL PAVE THE WAY TO CLOSE CONSUMER-PRODUCER COOPERATION.

3. CATALANO (ITALY) THOUGHT THE REPORT WAS EXCELLENT AND THAT THE ECONOMIC COMMITTEE SHOULD CONTINUE TO FOLLOW THE WORLD OIL CRISIS. PECK (UK) ALSO CONSIDERED THE REPORT EXCELLENT, BUT EXPRESSED CONCERN THAT OTHER INTERNATIONAL FORA WERE MORE APPROPRIATE FOR EXTENSIVE WORK ON WORLD OIL CRISIS. HE THOUGHT ECONOMIC COMMITTEE SHOULD CONCENTRATE ON WORK DIRECTLY RELATING TO THE ALLIANCE.

4. MENZIES (CANADA), HOWEVER, THOUGHT THE REPORT SERVED TO REMIND NATO COUNTRIES WORKING IN OTHER INTERNATIONAL FORA OF ALLIANCE CONCERN WITH THE OIL CRISIS. HE WANTED TO UNDERLINE WHAT RUMSFELD SAID ABOUT THE IMPORTANCE OF PARAGRAPH 19 RE THE EFFECT OF OIL ON ALLIANCE SOLIDARITY. THIS IS A FACTOR WHICH WE, AND THEREFORE THE COUNCIL, MUST BEAR CONSTANTLY IN MIND. HE THOUGHT FOR THE PRESENT THAT THE ECONOMIC COMMITTEE MIGHT USEFULLY DEVELOP PARAGRAPHS 64-70 CONCERNING USSR AND EASTERN EUROPEAN NEED FOR MID-EAST OIL AND OIL TRADE WITHIN COMECON; COUNCIL WILL NEED TO WAIT FOR RESULTS OF WASHINGTON CONFERENCE BEFORE DECIDING WHAT FURTHER STUDIES TO UNDERTAKE.

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5. HARTOGH (NETHERLANDS) SAID HE AGREED WITH MENZIES THAT NATO'S AIMS IN LOOKING AT OIL CRISIS WERE DIFFERENT FROM AIMS OF OTHER INTERNATIONAL FORA. HE WANTED TO UNDERLINE PARAGRAPH 19 ON ALLIED SOLIDARITY, WHICH HE CALLED "THE SHORTEST PARAGRAPH IN THE REPORT BUT THE LARGEST IN WEIGHT FOR THE FUTURE." HE THOUGHT THE ECONOMIC COMMITTEE NEEDED TO KEEP ITS REPORT UP TO DATE.

6. DE STAERCKE (BELGIUM) SAID HIS GOVERNMENT HAD SHARED BRITISH FEAR THAT ECONADS REPORT MIGHT CONFLICT WITH WORK OF OTHER BODIES, BUT THIS FEAR NOT CONFIRMED. HE THOUGHT APPEAL FOR SOLIDARITY WAS WELL-FOUNDED, BUT PROBLEM TO WHICH GOVERNMENTS MUST APPLY THEMSELVES IS HOW TO ATTAIN SOLIDARITY IN VIEW OF DIFFERING REACTIONS DUE TO DIFFERING DEGREES OF DEPENDENCE ON OIL IMPORTS.

HE AGREED WITH CANADA THAT ECONADS SHOULD NOW DEVELOP WORK ON
USSR-EASTERN EUROPEAN SITUATION.

7. DE ROSE (FRANCE) CONSIDERED REPORT TIMELY, AND THAT
ECONADS SHOULD KEEP IT UP TO DATE. SOME OF THE INFORMATION DERIVING
FROM RECENT NATO SYMPOSIUM ON SIBERIAN RESOURCES MIGHT HELP COMPLETE
IT. HE SAID "WE SHOULD REFLECT" ON RUMSFELD'S COMMENTS. HE THOUGHT
THE ECONAD REPORT WAS ONE OF SEVERAL FACTORS AT DISPOSAL OF OUR
GOVERNMENTS. IT WAS RIGHT THAT THE ALLIANCE CONTRIBUTE TO THIS
FILE.

8. RUMSFELD ALSO MADE POINTS IN REF B, THAT WE BELIEVE FURTHER
NAC DISCUSSIONS OF WORLD ENERGY CRISIS MAY BE NEEDED, THAT WE WANT
TO EXAMINE NEED AND SCOPE OF EACH DISCUSSION BEFORE SCHEDULED,
AND THAT WE WOULD OF COURSE WANT TO REVIEW ANY REPORTS PRIOR TO
USE FOR NAC DISCUSSIONS. NAC AGREED TO THIS, AND ALSO TO CANADIAN
AND BELGIAN SUGGESTION THAT ECONADS SHOULD LOOK INTO USSR-EASTERN
EUOOPEAN SITUATION. NAC NOTED THE ECONOMIC COMMITTEE REPORT.
RUMSFELD

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